

## Message Text

SECRET

PAGE 01 CAIRO 00466 292328Z

44

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 TRSE-00 INRE-00 ( ISO ) W

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FM USINT CAIRO

TO SECSTATE WASHDC IMMEDIATE 5167

S E C R E T CAIRO 0466

EXDIS

FOR THE SECRETARY FROM AMBASSADOR

EO 11652: GDS

TAGS: BEXP EG

SUBJECT: BECHTEL AND SUMED NEGOTIATIONS

REF: CAIRO 465

1. O'CONNELL AND BECHTEL TEAM CAME TO SEE ME 2330 LOCAL. THEY HAD JUST COME FROM HOUR-LONG MEETING WITH DEPUTY PRIMIN HEGAZI DURING WHICH O'CONNELL WAS ABLE LAY OUT THE PROBLEMS WHICH HAD ARISEN AT TODAY'S MEETING WITH KRUSH. HEGAZI WAS APPARENTLY NOT FULLY BRIEFED, BUT ECHOED FAHMY'S EARLIER VIEW THAT IT WOULD BE "DISASTROUS" FOR OUR TWO COUNTRIES IF PROJECT NOW FELL THROUGH.

2. SPECIFICALLY, HEGAZI ARGUED THAT NEEDED LETTER OF GUARANTEE SHOULD BE NO PROBLEM. SUMED COULD OBTAIN IT FROM ARAB-AFRICAN BANK, WHICH HE CLAIMED IS RECEIVING LARGE AMOUNT OF FUNDS. O'CONNELL POINTED OUT THAT THIS WAS NOT SUFFICIENT. ARAB-AFRICAN BANK WOULD HAVE TO HAVE CORRESPONDENT IN US WHERE NECESSARY DOLLAR LETTER OF CREDIT COULD BE ESTABLISHED. THIS REPRESENTED CONTRACTUAL CONDITION SIMILAR TO THAT WHICH BECHTEL IS ASSUMING IN PROVIDING CERTAIN LETTERS OF CREDIT TO SUMED. O'CONNELL BELIEVES AT END OF THEIR DISCUSSION HEGAZI UNDERSTOOD PROBLEM A BIT MORE CLEARLY. IN CONNECTION WITH KRUSH'S DEMAND THAT BECHTEL APPROACH MOTHERWELL FOR STEEL

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QUOTATION, HEGAZI REVEALED THAT SUMED (OR EGPC) ALREADY

HAD A QUOTATION FROM THAT FIRM. BECHTEL GROUP QUESTIONED CURRENCY OF ANY SUCH QUOTATION AND SUSPECT IT MAY GO BACK SOME TIME AND NO LONGER BE VALID. FOLLOWING A CALL BY HEGAZI TO KRUSH, THE DEPUTY PRIMIN SUGGESTED THE MATTER BE DISCUSSED FURTHER AT TOMORROW'S SESSION. ON THE GUARANTEE LETTER DEMANDED BY THE EGYPTIANS FROM BECHTEL ON POSSIBLE US LAWS WHICH MIGHT PREVENT BECHTEL FROM PERFORMING CONTRACT, HEGAZI SAID HE HAD NEVER HEARD OF IT. HE DID NOT SEE WHY SUCH A LETTER WAS BEING DEMANDED.

3. O'CONNELL RELATED TO HEGAZI THAT KRUSH'S DIRECT CHARGES AT TODAY'S MEETING THAT KRUSH HAD KNOWN ALL ALONG THAT HE WOULD NOT SIT BY AT ANY FURTHER MEETING TO LHEAR SUCH BASELESS CHARGES. HEGAZI ASSURED HIM TOMORROW'S MEETING WILL BE DIFFERENT. ALTHOUGH HE HAS FULL DOCKET TOMORROW, HEGAZI TOLD GROUP HE WOULD INSURE THAT HE WAS KEPT INFORMED ABOUT TOMORROW'S SESSION AND THAT HE WOULD WANT TO MEET AGAIN WITH BECHTEL GROUP SOMETIME AFTER THAT. HE REITERATED EGYPTIAN INTEREST IN CONCLUDING PROJECT.

4. COMMENT: O'CONNELL AND BECHTEL GROUP REMAIN CONCERNED ABOUT AFOREMENTIONED FINANCING ASPECT, BUT ARE GRATIFIED THAT TOMORROW'S TALKS WILL NOW BE CONDUCTED UNDER WATCHFUL EYE OF HIGHEST LEVEL EGYPTIAN OFFICIALS. I OFFERED BE OF ANY OTHER ASSISTANCE AND WE AGREED TO KEEP IN TOUCH. BECHTEL GROUP APPRECIATIVE OF USINT HELP.

5. O'CONNELL ASKS THAT SECRETARY SCHULTZ ALSO BE INFORMED OF ABOVE.  
EILTS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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